



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**


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May 10, 2013

Sent via email: auditcomm@bos.lacounty.gov

TO: Audit Committee
FROM: Robert Smythe,  Acting Chief
Audit Division

SUBJECT: **REVIEW OF BOARD POLICY 4.020 – ADMINISTRATIVE POLICY ON
TAKEOVERS OF INTERNALLY PROVIDED SERVICES**

As requested by the Executive Office of the Board, we have reviewed Board Policy 4.020 – Administrative Policy on Takeovers of Internally Provided Services. Our suggested revisions are included in the attached Microsoft Word document.

The purpose of the proposed revisions is to align policy with existing and appropriate practice that departments prepare a cost analysis of the financial impact of the takeover, and that the Auditor-Controller reviews the department's analysis. We have also added policy language to reinforce that the cost analysis should follow the format of the existing Proposition A avoidable cost analysis. We are requesting that the sunset review date for this policy be revised to July 2, 2017.

We look forward to discussing the proposed revisions with you at this month's Audit Committee meeting. Please call me at 213-253-0101 if you have questions or need additional information.

RS:jn

Attachment

c: Wendy L. Watanabe



Los Angeles County
BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
4.020	Administrative Policy On Takeovers Of Internally Provided Services	07/2/97

PURPOSE

Ensures the County's best interests are protected prior to approval of any internally provided service takeover by County Departments.

REFERENCE

October 11, 1996 Task Force Report Approved by the Board, "Countywide Billing and Cost Recovery"

July 2, 1997 Auditor-Controller and Chief Administrative Officer Joint Signature Memorandum, "Administrative Policy on Takeovers of Internally Provided Services"

July 15, 1997 Supervisor Gloria Molina's Memo "Administrative Policy on Takeovers of Internally Provided Services"

POLICY

All proposals for administrative takeovers must be submitted to the Chief Executive Officer (CEO) at the time departmental budget requests are submitted, beginning with Fiscal Year 1998-99. The CEO will analyze the budgetary and service impact and effect on the departments involved. The requesting department The Auditor-Controller will perform prepare a cost analysis of the financial impact of the takeover on the department. The Auditor-Controller will review the requesting department's cost analysis, and will evaluate the including an evaluation of both departmental and countywide financial impact. As indicated in the "Administrative Policy on Takeovers of Internally Provided Services" memorandum listed above, the cost analyses shall use an avoidable cost format similar to Proposition A contracts.

If the proposal for administrative takeover is determined to be cost-effective, the Auditor-

Controller will expand the analysis to evaluate the potential benefit of other requestors desirous of taking over the service. In approved administrative takeovers, the CEO will work with the involved departments to develop a transition plan to ensure appropriate actions are taken relative to previously billed unavoidable indirect costs. This transition plan may include transferring funds between departments, reducing costs through cost cutting or efficiencies to make the provider more competitive, or a combination of methods.

Definition of Takeover: When a department (requestor) itself decides to take over a service previously provided by another department (provider). The requestor may provide the service itself or contract with another provider. The primary reasons for taking over such services are to improve service level, or generate savings by reducing or eliminating indirect costs (overhead) charged by the provider. The latter must also take into consideration Countywide operational issues and costs.

Note: In a July 15, 1997 memorandum, Supervisor Molina requested to be informed of all proposals for administrative takeovers submitted to the CEO, and would like to receive copies of impact analysis performed by the CEO and Auditor-Controller prior to approval.

RESPONSIBLE DEPARTMENT

Auditor-Controller
Chief Executive Office

DATE ISSUED/SUNSET DATE

Issue Date: July 2, 1997
Review Date: September 20, 2001
Review Date: August 18, 2005
Review Date: May 21, 2009
Review Date: April 22, 2013

Sunset Review Date: July 2, 2001
Sunset Review Date: July 2, 2005
Sunset Review Date: July 2, 2009
Sunset Review Date: July 2, 2013
Sunset Review Date: July 2, 2017